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54TH ANNUAL REPORT / JANUARY 1 - SEPTEMBER 30, 1967

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**ontario
steel
products**
COMPANY, LIMITED



Ontario Steel Products Company, Limited

Head Office: Toronto

Divisions: Gananoque, Oshawa, Chatham, Milton

The Period at a glance

Net Sales	\$34,740,651
Net Income	\$ 1,706,813
Dividends	
Preferred—	
\$3.50 per share ..\$	12,611
Common—	
\$.75 per share ..\$	601,250
Working capital	\$10,619,690
Number of employees	1,867

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DIRECTORS

Carl B. Black
*Executive Vice-President,
Rockwell Standard Divisions,
North American Rockwell Corporation*

O. D. Cowan
*Chairman of the Board and President,
Ontario Steel Products Company, Limited*

Brian Heward
*Chairman,
Jones Heward & Company (1965) Ltd.*

R. A. Kingston, Q.C.
*A Senior Partner,
Blake, Cassels & Graydon*

Fred W. Parker Jr.
*President — Rockwell-Standard Divisions,
North American Rockwell Corporation*

B. H. Rieger
*Vice-President,
Canadian Corporate Management
Company Limited*

Walter F. Rockwell
Business Consultant

V. W. Scully
*Chairman of the Board
and Chief Executive Officer,
The Steel Company of Canada, Limited*

EXECUTIVE OFFICERS

O. D. Cowan
Chairman of the Board and President

R. B. Carson
Executive Vice-President

S. Maclellan, C.A.
Secretary-Treasurer

Miss Gay Sampson
Assistant Secretary

TRANSFER AGENT

The Royal Trust Company, Toronto
The Royal Trust Company, Montreal

REGISTRAR

National Trust Company Limited,
Toronto
National Trust Company Limited,
Montreal

BANKERS

Bank of Montreal
Canadian Imperial Bank of Commerce

AUDITORS

Ernst & Ernst

Report of the Board of Directors to the Shareholders

Your Directors have pleasure in submitting herewith the 54th Annual Report on the consolidated operations of your Company and Subsidiaries for the nine month period ended September 30th, 1967, together with the Consolidated Balance Sheet, Earnings and Retained Earnings Statements, Statement of Source and Use of Funds and your Auditors' Report thereon.

At a recent Board of Directors' Meeting the fiscal year end of the Company was changed from December 31st to September 30th to conform with the fiscal year end of the North American Rockwell Corporation. Audited figures for the nine months ended September 30th, 1966 are not available, but audited figures for the twelve months ended December 31st, 1966 are shown in the report.

The period under review therefore includes the seasonally low production quarter of July, August and September, this being the period when our automotive customers run out the old models and introduce the new.

Sales for the period were \$34,740,651 and resulted in net earnings of \$1,706,813 or \$2.13 per common share. Depreciation written in the nine months was \$802,995 and working capital as of September 30th, 1967 amounted to \$10,619,690.

Capital expenditures amounted to \$2,292,015, which include the purchase of the assets of McRobert Spring Inc., Montreal. Coil spring capacity was increased at the Oshawa Division by the installation of an additional manufacturing line, and a large injection moulding machine was purchased for the Gananoque Division.

All of the preferred shares of the Company were redeemed for cash on June 30th, 1967 with the exception

of 20 preferred shares which were converted into 100 common shares.

Total dividends declared on the common shares during the nine month period ended September 30th, 1967 amounted to 75¢ per share.

As previously reported, automobile and truck sales were down for the first three months of the year. This was followed by an upturn in business and currently all plants of your Company are operating at a satisfactory level. The outlook appears favourable, although a strike in the plants of one of our principal customers adversely affected earnings in the last quarter.

Your Directors record with deep regret the death on August 29th, 1967 of Mr. Ian F. Flemming, General Manager. Mr. Flemming served the Company in many capacities for twenty years and was made General Manager in February, 1966.

In February 1967, Mr. F. W. Parker Jr., President, Rockwell Standard Divisions, North American Rockwell Corporation, was elected a Director of the Company, replacing Mr. R. G. Wingerter who resigned from the Board.

The continued support and co-operation we have received from our customers and suppliers is gratefully acknowledged and the loyal efforts of friends and employees of the Company are greatly appreciated.

On behalf of the Board of Directors,

November 30, 1967

O. D. COWAN
President

Consolidated Balance Sheet

Assets	<i>Current Assets</i>	September 30 1967	December 31 1966
	Cash	\$ 199,774	\$ 135,857
	Accounts receivable, less provision for doubtful accounts	6,510,845	5,473,859
	Inventories — valued at the lower of cost or market		
	Raw materials	3,974,237	2,901,500
	Work in process	2,167,782	2,272,027
	Finished goods	2,104,161	2,015,432
		<u>8,246,180</u>	<u>7,188,959</u>
	Prepaid expenses	426,382	295,229
	Total Current Assets	<u>15,383,181</u>	<u>13,093,904</u>
	<i>Special Refundable Tax</i>	<u>143,534</u>	<u>114,280</u>
	<i>Property, Plant & Equipment at cost</i>		
	Buildings	4,773,951	4,135,108
	Machinery and equipment	12,881,832	11,521,259
		<u>17,655,783</u>	<u>15,656,367</u>
	Accumulated depreciation	9,161,515	8,416,229
		<u>8,494,268</u>	<u>7,240,138</u>
	Land	323,158	121,158
		<u>8,817,426</u>	<u>7,361,296</u>
		<u>\$ 24,344,141</u>	<u>\$ 20,569,480</u>
Approved on Behalf of the Board:			
	O. D. COWAN	} Directors	
	BRIAN HEWARD		

Statement of Consolidated Retained Earnings

For the period of nine months ended September 30, 1967 and the year ended December 31, 1966

	Nine Months Ended September 30 1967	Year Ended December 31 1966
Opening balance	\$ 10,214,105	\$ 8,649,763
Add: Earnings for the period	1,706,813	2,511,403
	11,920,918	11,161,166
Deduct:		
Dividends		
Preferred — 1967, \$3.50 per share — (See Note)		
1966, \$7.00 per share	12,611	25,221
Common — 1967 (9 months), \$.75 per share —		
1966 (12 months), \$1.15 per share	601,250	921,840
	613,861	947,061
Redemption of preferred shares — (See Note)		
Premium — 3,583 shares @ \$45.00	161,235	—
Tax on Premium	48,370	—
	209,605	—
	823,466	947,061
Closing Balance	\$ 11,097,452	\$ 10,214,105

Auditors' Report to the Shareholders

Ontario Steel Products Company, Limited

We have examined the consolidated financial statement of Ontario Steel Products Company, Limited and its subsidiaries and the related statement of source and use of funds for the period of nine months ended September 30, 1967. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of

earnings, retained earnings and source and use of funds present fairly the consolidated financial position of Ontario Steel Products Company, Limited and its subsidiaries at September 30, 1967 and the consolidated results of their operations and source and use of funds for the period of nine months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

October 30, 1967

ERNST & ERNST
Chartered Accountants

as at September 30, 1967 / with comparative amounts at December 31, 1966

		September 30	December 31
		1967	1966
Liabilities	Current Liabilities		
	Accounts payable and accrued liabilities	\$ 3,689,031	\$ 3,181,982
	Taxes on income	874,035	563,218
	Dividends payable —		
	Preferred	—	6,305
	Common	200,425	440,880
	Total Current Liabilities	4,763,491	4,192,385
	<i>Bank Loans Due December 31, 1968</i>	5,800,000	3,100,000
	<i>Deferred Income Taxes</i>	1,318,088	1,339,580
	Shareholders' Equity		
	Capital stock — (See Note)		
	Authorized —		
	1,433,820 common shares without nominal or par value		
	Issued and fully paid —		
	Preferred shares 1967, Nil — 1966, 3,603 shares	—	360,300
	Common shares 1967, 801,700 shares—1966, 801,600 shares	1,365,110	1,363,110
		1,365,110	1,723,410
	Retained earnings	11,097,452	10,214,105
		\$ 12,462,562	\$ 11,937,515
	Commitment — pension plans unfunded past service costs approximate \$1,203,150. Plans are being funded over periods not exceeding 23 years.		
		\$ 24,344,141	\$ 20,569,480

NOTE: By Supplementary Letters Patent dated April 24th, 1967 the authorized capital was reduced by \$360,300, being the par value of 3,603 7% cumulative preferred shares outstanding, at December 31, 1966. Of these shares 3,583 were redeemed for cash at \$145.00 per share and 20 shares were converted into 100 common shares.

Statement of Consolidated Earnings

For the period of nine months ended September 30, 1967 and the year ended December 31, 1966

	Nine Months Ended September 30 1967	Year Ended December 31 1966
Net Sales	\$ 34,740,651	\$ 47,043,234
Costs and Expenses:		
Cost of Products Sold	30,380,941	40,886,995
Selling, Administrative and General Expenses	1,141,497	1,351,471
	<u>31,522,438</u>	<u>42,238,466</u>
Earnings before Income Taxes	3,218,213	4,804,768
Provision for Income Taxes	1,511,400	2,293,365
Earnings for the period	<u>\$ 1,706,813</u>	<u>\$ 2,511,403</u>
The following items have been charged before determining the above earnings:		
Depreciation	\$ 802,995	\$ 1,003,915
Executive remuneration	130,983	179,600
Directors' fees	700	5,730
Legal fees	17,366	6,608
Loan interest	50,011	156,244
Past service portion of pension costs	62,156	83,028

Statement of Consolidated Source and Use of Funds

For the period of nine months ended September 30, 1967 and the year ended December 31, 1966

	Nine Months Ended September 30 1967	Year Ended December 31 1966
<i>Source of Funds</i>		
Funds derived from operations —		
Earnings for the period	\$ 1,706,813	\$ 2,511,403
Non-cash items included in earnings —		
Provision for depreciation	802,995	1,003,915
	2,509,808	3,515,318
Increase in deferred income taxes	—	178,811
Increase in bank loans	2,700,000	600,000
	5,209,808	4,294,129
<i>Use of Funds</i>		
Dividends	613,861	947,061
Purchase of fixed assets less carrying value of disposals	2,259,125	1,132,805
Reduction in advance from associate company	—	1,916,191
Special refundable tax	29,254	114,280
Reduction in deferred income taxes	21,492	—
Redemption of preferred shares	567,905	—
	3,491,637	4,110,337
<i>Increase in working capital</i>	<i>\$ 1,718,171</i>	<i>\$ 183,792</i>



Automotive products

Chassis Springs—both flat and coil
—for automobiles, trucks, buses and snowmobiles

Torsion Bars and Struts

Bumpers

Stampings

Plastic Lenses, Medallions, Knobs,
Arm Rests, Ornaments and other
miscellaneous parts

Consumer market products

METALS

Large and small, shallow and deep-
drawn steel stampings

PLASTICS

Injection moulded plastics of a wide
variety, including parts for
telephones, refrigerators, radios, etc.

Extruded plastics, water stops, and
custom sections as required

Double-shot moulding and
triple-shot moulding

Vacuum metallizing for decorative
and functional parts

Railroad and industrial products

Coil Springs

Elliptical and Flat Springs

Rail Anchors



